

October 24, 2002

G. Cheryl Blundon
Board Secretary
Board of Commissioners of Public Utilities
Suite E210, Prince Charles Building
120 Torbay Road
P.O. Box 21040
St. John's, NF
A1A 5B2

Dear Ms. Blundon:

Re: Newfoundland & Labrador Hydro's 2003 Capital Budget Application

Enclosed please find fifteen (15) copies of Newfoundland and Labrador Hydro's responses to Requests for Information numbers IC-1 to IC-22.

Yours truly,

Newfoundland and Labrador Hydro

Maureen P. Greene, Q.C.
Vice-President & General Counsel

MPG/jc

cc: Janet M. Henley Andrews
Stewart McKelvey Stirling Scales
Fax: 722-4565

Joseph S. Hutchings
Poole Althouse
Fax: 634-8247

1 Q. What is the total impact of the 2003 Capital Budget on the 2004 revenue
2 requirement?

3

4 A. The impact of the 2003 Capital Budget on revenue requirement in 2004 will
5 be primarily a combination of changes in depreciation expense, return on
6 ratebase and operating and maintenance expenditures. The return on
7 ratebase is determined based on our weighted average cost of capital and
8 the allocation of assets through the cost of service which has not been
9 determined for 2004 as yet. Please see responses to IC-3(a) and IC-11(a).

1 Q. (a) If depreciation associated with the Granite Canal project is ignored, by
2 how much will depreciation expense increase in 2004 over 2003 if the
3 proposed 2003 capital budget is accepted in its entirety?
4

5 (b) How much is depreciation expense expected to increase in 2004 over
6 2003 as a result of the Granite Canal project?
7

8
9 A. (a) Ignoring the Granite Canal project, depreciation expense will increase
10 by \$2,059,000 in 2004 over 2003 solely related to the 2003 Capital
11 Budget.
12

13 (b) Depreciation expense in 2004 will increase by approximately
14 \$191,000 over 2003 as a result of the Granite Canal Project.

1 Q. (a) Which of the proposed 2003 capital costs will be depreciated on a
2 sinking fund basis?

3

4 (b) For each of the projects depreciated on a sinking fund basis, provide
5 the number of years over which the cost will be depreciated.

6

7

8 A. (a) Please see the attached report. Note that this report includes all
9 assets coming in service during 2003, not just those that are part of
10 the 2003 Capital Budget Application.

11

12 The most significant difference is approximately \$134.5 million in costs
13 related to the Granite Canal Project (approximately \$100 million of
14 which has been incurred in prior years). This facility comes in service
15 during 2003 but does not form part of the 2003 Capital Budget
16 Application which is the subject of this hearing.

17

18 Also, there are some costs in the 2003 Capital Budget Application
19 which will not come into service until future years.

20

21 (b) Please see response to IC-3(a).



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Dep Method 01 Straight Line Depreciation					
Pxxxxx Purchase Tools and Equipment					
Original Cost:	\$0.00	\$627,194.40	\$627,194.40	\$627,194.40	\$627,194.40
Depreciation Expense:	\$0.00	\$33,707.08	\$73,829.53	\$73,829.51	\$73,829.64
Depreciation Start Date:	Various	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00614 Design and Construct Hydroelectric Plant - Granite Canal					
Original Cost:	\$0.00	\$2,690,991.94	\$2,690,991.94	\$2,690,991.94	\$2,690,991.94
Depreciation Expense:	\$0.00	\$179,399.44	\$269,099.16	\$269,099.16	\$269,099.16
Depreciation Start Date:	1-May-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00644 Purchase and Install Continuous Emission Monitoring					
Original Cost:	\$0.00	\$800,700.00	\$800,700.00	\$800,700.00	\$800,700.00
Depreciation Expense:	\$0.00	\$26,690.00	\$40,035.00	\$40,035.00	\$40,035.00
Depreciation Start Date:	31-May-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P00647 Replace Turbine Electrohydraulic Cntrl System-Unit#1,Hrd					
Original Cost:	\$0.00	\$991,400.00	\$991,400.00	\$991,400.00	\$991,400.00
Depreciation Expense:	\$0.00	\$24,299.00	\$58,317.60	\$58,317.60	\$58,317.60
Depreciation Start Date:	1-Aug-2003	Service Life:	17.00 years	Sinking Fund Rate%	0.00%
P00703 Install New Microwave System Interconnection, East-West					
Original Cost:	\$0.00	\$8,941,700.01	\$8,941,700.01	\$8,941,700.01	\$8,941,700.01
Depreciation Expense:	\$0.00	\$74,514.17	\$894,170.04	\$894,170.04	\$894,170.04
Depreciation Start Date:	1-Dec-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00751 Purchase and Install Neutralization Pit					
Original Cost:	\$0.00	\$342,900.00	\$342,900.00	\$342,900.00	\$342,900.00
Depreciation Expense:	\$0.00	\$8,404.40	\$20,170.56	\$20,170.56	\$20,170.56
Depreciation Start Date:	1-Aug-2003	Service Life:	17.00 years	Sinking Fund Rate%	0.00%
P00759 Purchase Meters & Equipment - TRO System					
Original Cost:	\$0.00	\$96,100.00	\$96,100.00	\$96,100.00	\$96,100.00
Depreciation Expense:	\$0.00	\$266.94	\$3,203.28	\$3,203.28	\$3,203.28
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P00772 Replacement of Desktop Peripherals					
Original Cost:	\$0.00	\$98,700.00	\$98,700.00	\$98,700.00	\$98,700.00
Depreciation Expense:	\$0.00	\$2,467.50	\$9,870.00	\$9,870.00	\$9,870.00
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00776 Provide Service Extensions - Central					
Original Cost:	\$0.00	\$456,865.20	\$456,865.20	\$456,865.20	\$456,865.20
Depreciation Expense:	\$0.00	\$1,269.09	\$15,228.90	\$15,228.90	\$15,228.90
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00780 Upgrade Distribution Systems - Central					
Original Cost:	\$0.00	\$575,900.00	\$575,900.00	\$575,900.00	\$575,900.00
Depreciation Expense:	\$0.00	\$1,599.73	\$19,196.76	\$19,196.76	\$19,196.76
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00784 Replace VHF Radio Between Muskrat Falls/Nth D.Plant					
Original Cost:	\$0.00	\$105,400.00	\$105,400.00	\$105,400.00	\$105,400.00
Depreciation Expense:	\$0.00	\$2,634.99	\$10,539.96	\$10,539.96	\$10,539.96
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00785 Replace Poles - South Brook and King's Point System					
Original Cost:	\$0.00	\$202,900.00	\$202,900.00	\$202,900.00	\$202,900.00
Depreciation Expense:	\$0.00	\$1,690.83	\$6,763.32	\$6,763.32	\$6,763.32
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00786 Replace Poles - Bay D'Espoir Area					
Original Cost:	\$0.00	\$222,000.00	\$222,000.00	\$222,000.00	\$222,000.00
Depreciation Expense:	\$0.00	\$1,850.01	\$7,400.04	\$7,400.04	\$7,400.04
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00787 Replace Remote Terminal Unit for Hydro - Phase 4					
Original Cost:	\$0.00	\$285,300.00	\$285,300.00	\$285,300.00	\$285,300.00
Depreciation Expense:	\$0.00	\$7,132.50	\$28,530.00	\$28,530.00	\$28,530.00
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P00790	Replace Poles - Farewell Head System				
Original Cost:	\$0.00	\$163,100.00	\$163,100.00	\$163,100.00	\$163,100.00
Depreciation Expense:	\$0.00	\$1,359.18	\$5,436.72	\$5,436.72	\$5,436.72
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00810	Upgrade Site Grounding at Telecontrol Site - Phase 4				
Original Cost:	\$0.00	\$47,500.00	\$47,500.00	\$47,500.00	\$47,500.00
Depreciation Expense:	\$0.00	\$2,770.81	\$4,749.96	\$4,749.96	\$4,749.98
Depreciation Start Date:	30-Jun-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00814	Replace Vehicles - Hydro System				
Original Cost:	\$0.00	\$1,580,832.02	\$1,580,832.02	\$1,580,832.02	\$1,580,832.02
Depreciation Expense:	\$0.00	\$67,452.00	\$269,808.00	\$269,808.00	\$269,808.00
Depreciation Start Date:	1-Oct-2003	Service Life:	6.00 years	Sinking Fund Rate%	0.00%
P00833	Purchase and Install Fire Alarm System - Postville				
Original Cost:	\$0.00	\$48,800.00	\$48,800.00	\$48,800.00	\$48,800.00
Depreciation Expense:	\$0.00	\$813.32	\$2,439.96	\$2,439.96	\$2,439.96
Depreciation Start Date:	1-Sep-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P00838	Purchase and Install Fire Alarm System - Rigolet				
Original Cost:	\$0.00	\$49,400.00	\$49,400.00	\$49,400.00	\$49,400.00
Depreciation Expense:	\$0.00	\$823.32	\$2,469.96	\$2,469.96	\$2,469.96
Depreciation Start Date:	1-Sep-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P00857	Purchase and Install Recloser - Postville				
Original Cost:	\$0.00	\$84,100.00	\$84,100.00	\$84,100.00	\$84,100.00
Depreciation Expense:	\$0.00	\$1,051.26	\$4,205.04	\$4,205.04	\$4,205.04
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P00858	Purchase and Install Recloser - Black Tickle				
Original Cost:	\$0.00	\$105,100.00	\$105,100.00	\$105,100.00	\$105,100.00
Depreciation Expense:	\$0.00	\$1,313.76	\$5,255.04	\$5,255.04	\$5,255.04
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%



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2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P00866 Provide Service Extensions - Northern					
Original Cost:	\$0.00	\$431,235.80	\$431,235.80	\$431,235.80	\$431,235.80
Depreciation Expense:	\$0.00	\$1,197.89	\$14,374.62	\$14,374.65	\$14,374.68
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00870 Upgrade Distribution System - Northern					
Original Cost:	\$0.00	\$627,043.40	\$627,043.40	\$627,043.40	\$627,043.40
Depreciation Expense:	\$0.00	\$1,741.79	\$20,901.48	\$20,901.46	\$20,901.42
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00874 Provide Service Extensions - Labrador					
Original Cost:	\$0.00	\$556,443.00	\$556,443.00	\$556,443.00	\$556,443.00
Depreciation Expense:	\$0.00	\$1,545.66	\$18,547.92	\$18,547.92	\$18,547.92
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00878 Upgrade Distribution Systems - Labrador					
Original Cost:	\$0.00	\$272,027.70	\$272,027.70	\$272,027.70	\$272,027.70
Depreciation Expense:	\$0.00	\$755.65	\$9,067.62	\$9,067.62	\$9,067.62
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00902 Replace Fuel Storage Tanks at Burnt Spillway - BDE					
Original Cost:	\$0.00	\$97,500.00	\$97,500.00	\$97,500.00	\$97,500.00
Depreciation Expense:	\$0.00	\$4,062.50	\$9,750.00	\$9,750.00	\$9,750.00
Depreciation Start Date:	1-Aug-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P00907 Purchase Metering Spares - Meter Shop - Hydro Place					
Original Cost:	\$0.00	\$6,200.00	\$6,200.00	\$6,200.00	\$6,200.00
Depreciation Expense:	\$0.00	\$17.22	\$206.64	\$206.64	\$206.64
Depreciation Start Date:	1-Dec-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P00978 Upgrade Access Road - Farewell Head					
Original Cost:	\$0.00	\$21,600.00	\$21,600.00	\$21,600.00	\$21,600.00
Depreciation Expense:	\$0.00	\$1,080.00	\$2,160.00	\$2,160.00	\$2,160.00
Depreciation Start Date:	1-Jul-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%



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2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P00995	Replace Fuel Storage Tank - L'Anse au Loup				
Original Cost:	\$0.00	\$104,500.00	\$104,500.00	\$104,500.00	\$104,500.00
Depreciation Expense:	\$0.00	\$1,306.26	\$5,225.04	\$5,225.04	\$5,225.04
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P00998	Contingency Fund - Year 2003				
Original Cost:	\$0.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00
Depreciation Expense:	\$0.00	\$8,333.33	\$99,999.96	\$99,999.96	\$99,999.96
Depreciation Start Date:	1-Dec-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01004	Replace Corroded Transformers - 2003 - Northern				
Original Cost:	\$0.00	\$171,700.00	\$171,700.00	\$171,700.00	\$171,700.00
Depreciation Expense:	\$0.00	\$1,430.82	\$5,723.28	\$5,723.28	\$5,723.28
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01009	Purch. and Install Short Term Load Forecasting Software				
Original Cost:	\$0.00	\$118,000.00	\$118,000.00	\$118,000.00	\$118,000.00
Depreciation Expense:	\$0.00	\$7,866.64	\$11,799.96	\$11,799.96	\$11,799.98
Depreciation Start Date:	1-May-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01015	Upgrade Fuel Line - Makkovik				
Original Cost:	\$0.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Depreciation Expense:	\$0.00	\$520.85	\$1,250.04	\$1,250.04	\$1,250.04
Depreciation Start Date:	1-Aug-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01385	Install Fencing Bay D'Espoir				
Original Cost:	\$0.00	\$250,200.00	\$250,200.00	\$250,200.00	\$250,200.00
Depreciation Expense:	\$0.00	\$2,085.00	\$25,020.00	\$25,020.00	\$25,020.00
Depreciation Start Date:	1-Dec-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01386	Purchase and Install Security Locks - Various Sites				
Original Cost:	\$0.00	\$77,000.00	\$77,000.00	\$77,000.00	\$77,000.00
Depreciation Expense:	\$0.00	\$1,925.01	\$7,700.04	\$7,700.04	\$7,700.04
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%



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2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01389	Purch/Install Partial Discharge Analysis Equip Unit #1 HRD				
Original Cost:	\$0.00	\$111,600.00	\$111,600.00	\$111,600.00	\$111,600.00
Depreciation Expense:	\$0.00	\$5,580.00	\$11,160.00	\$11,160.00	\$11,160.00
Depreciation Start Date:	1-Jul-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01390	Flue Gas Particulate Removal Study				
Original Cost:	\$0.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00
Depreciation Expense:	\$0.00	\$12,500.00	\$30,000.00	\$30,000.00	\$30,000.00
Depreciation Start Date:	1-Aug-2003	Service Life:	5.00 years	Sinking Fund Rate%	0.00%
P01391	Upgrade Civil Structures				
Original Cost:	\$0.00	\$1,991,100.00	\$1,991,100.00	\$1,991,100.00	\$1,991,100.00
Depreciation Expense:	\$0.00	\$24,888.75	\$99,555.00	\$99,555.00	\$99,555.00
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01402	Upgrade Line - Little Bay Distribution System				
Original Cost:	\$0.00	\$316,800.00	\$316,800.00	\$316,800.00	\$316,800.00
Depreciation Expense:	\$0.00	\$2,640.00	\$10,560.00	\$10,560.00	\$10,560.00
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01403	Replace Insulators - Bottom Waters Distribution System L3				
Original Cost:	\$0.00	\$349,500.00	\$349,500.00	\$349,500.00	\$349,500.00
Depreciation Expense:	\$0.00	\$2,912.49	\$11,649.96	\$11,649.96	\$11,649.96
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01404	Replace Insulators - King's Point Distribution System L1				
Original Cost:	\$0.00	\$299,500.00	\$299,500.00	\$299,500.00	\$299,500.00
Depreciation Expense:	\$0.00	\$2,495.82	\$9,983.28	\$9,983.28	\$9,983.28
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01405	Replace Insulators - Barachoix Distribution System L1				
Original Cost:	\$0.00	\$146,400.00	\$146,400.00	\$146,400.00	\$146,400.00
Depreciation Expense:	\$0.00	\$1,220.01	\$4,880.04	\$4,880.04	\$4,880.04
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01406 Purchase and Install Electronic Recloser - Little Bay Islands					
Original Cost:	\$0.00	\$75,700.00	\$75,700.00	\$75,700.00	\$75,700.00
Depreciation Expense:	\$0.00	\$630.84	\$2,523.36	\$2,523.36	\$2,523.36
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01407 Upgrade Service Cables - Little Bay Islands					
Original Cost:	\$0.00	\$28,200.00	\$28,200.00	\$28,200.00	\$28,200.00
Depreciation Expense:	\$0.00	\$1,057.50	\$1,410.00	\$1,410.00	\$1,410.00
Depreciation Start Date:	1-Apr-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01408 Purchase and Install Protective Relay - Grey River					
Original Cost:	\$0.00	\$52,900.00	\$52,900.00	\$52,900.00	\$52,900.00
Depreciation Expense:	\$0.00	\$1,102.10	\$2,645.04	\$2,645.04	\$2,645.04
Depreciation Start Date:	31-Aug-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01409 Replace Insulators and Poles - L1 St. Anthony System					
Original Cost:	\$0.00	\$557,300.00	\$557,300.00	\$557,300.00	\$557,300.00
Depreciation Expense:	\$0.00	\$6,192.24	\$18,576.72	\$18,576.72	\$18,576.72
Depreciation Start Date:	1-Sep-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01410 Replace Poles - St. Anthony System L3					
Original Cost:	\$0.00	\$263,700.00	\$263,700.00	\$263,700.00	\$263,700.00
Depreciation Expense:	\$0.00	\$2,930.00	\$8,790.00	\$8,790.00	\$8,790.00
Depreciation Start Date:	1-Sep-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01411 Replace Voltage Regulator - Rocky Harbour					
Original Cost:	\$0.00	\$88,000.00	\$88,000.00	\$88,000.00	\$88,000.00
Depreciation Expense:	\$0.00	\$733.32	\$2,933.28	\$2,933.28	\$2,933.28
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%
P01412 Replace Voltage Regulator - Plum Point					
Original Cost:	\$0.00	\$87,900.00	\$87,900.00	\$87,900.00	\$87,900.00
Depreciation Expense:	\$0.00	\$732.51	\$2,930.04	\$2,930.04	\$2,930.04
Depreciation Start Date:	1-Oct-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01415 Upgrade Service Cables - Hopedale					
Original Cost:	\$0.00	\$31,800.00	\$31,800.00	\$31,800.00	\$31,800.00
Depreciation Expense:	\$0.00	\$397.50	\$1,590.00	\$1,590.00	\$1,590.00
Depreciation Start Date:	31-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01416 Construct Storage Shed - Harbour Breton					
Original Cost:	\$0.00	\$18,400.00	\$18,400.00	\$18,400.00	\$18,400.00
Depreciation Expense:	\$0.00	\$1,533.30	\$1,839.96	\$1,839.96	\$1,839.99
Depreciation Start Date:	31-Mar-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01420 Tape Storage Replacement - 2003					
Original Cost:	\$0.00	\$684,700.00	\$684,700.00	\$684,700.00	\$684,700.00
Depreciation Expense:	\$0.00	\$17,117.49	\$68,469.96	\$68,469.96	\$68,469.96
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01421 Server & Operating Systems Evergreen Program - 2003					
Original Cost:	\$0.00	\$100,800.00	\$100,800.00	\$100,800.00	\$100,800.00
Depreciation Expense:	\$0.00	\$2,520.00	\$10,080.00	\$10,080.00	\$10,080.00
Depreciation Start Date:	31-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01423 Replace UHF Radio Link - Abitibi - Stephenville					
Original Cost:	\$0.00	\$89,100.00	\$89,100.00	\$89,100.00	\$89,100.00
Depreciation Expense:	\$0.00	\$3,712.50	\$8,910.00	\$8,910.00	\$8,910.00
Depreciation Start Date:	1-Aug-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01424 Replace Voice, Data & Teleprotection Equip - USL					
Original Cost:	\$0.00	\$88,400.00	\$88,400.00	\$88,400.00	\$88,400.00
Depreciation Expense:	\$0.00	\$2,210.01	\$8,840.04	\$8,840.04	\$8,840.04
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01425 Replace Battery System - Multiple Sites - 2003					
Original Cost:	\$0.00	\$224,100.00	\$224,100.00	\$224,100.00	\$224,100.00
Depreciation Expense:	\$0.00	\$5,602.50	\$22,410.00	\$22,410.00	\$22,410.00
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01426	Purchase Equipment for Physical Facilities Upgrade				
Original Cost:	\$0.00	\$71,200.00	\$71,200.00	\$71,200.00	\$71,200.00
Depreciation Expense:	\$0.00	\$593.33	\$7,119.96	\$7,119.96	\$7,119.96
Depreciation Start Date:	1-Dec-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01427	Deer Lake Building Improvements				
Original Cost:	\$0.00	\$103,000.00	\$103,000.00	\$103,000.00	\$103,000.00
Depreciation Expense:	\$0.00	\$7,724.97	\$10,299.96	\$10,299.96	\$10,299.99
Depreciation Start Date:	30-Apr-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01428	Upgrade Local Area Networks (LANs) - Multiple Sites 2003				
Original Cost:	\$0.00	\$47,300.00	\$47,300.00	\$47,300.00	\$47,300.00
Depreciation Expense:	\$0.00	\$2,364.99	\$9,459.96	\$9,460.00	\$9,460.02
Depreciation Start Date:	1-Oct-2003	Service Life:	5.00 years	Sinking Fund Rate%	0.00%
P01429	Replacement of Operational Data & Voice Network - Ph I				
Original Cost:	\$0.00	\$290,900.00	\$290,900.00	\$290,900.00	\$290,900.00
Depreciation Expense:	\$0.00	\$14,544.99	\$58,179.96	\$58,180.00	\$58,180.02
Depreciation Start Date:	1-Oct-2003	Service Life:	5.00 years	Sinking Fund Rate%	0.00%
P01432	Replace Light Duty Mobile Equipment Less Than \$50,000				
Original Cost:	\$0.00	\$544,700.00	\$544,700.00	\$544,700.00	\$544,700.00
Depreciation Expense:	\$0.00	\$4,539.17	\$54,470.04	\$54,470.04	\$54,470.04
Depreciation Start Date:	1-Dec-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01433	Replace Engineering Wide Format Printing System				
Original Cost:	\$0.00	\$62,000.00	\$62,000.00	\$62,000.00	\$62,000.00
Depreciation Expense:	\$0.00	\$3,616.69	\$6,200.04	\$6,200.04	\$6,200.03
Depreciation Start Date:	1-Jun-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01557	Purchase Mobile Ambient Monitoring System - HRD				
Original Cost:	\$0.00	\$184,200.00	\$184,200.00	\$184,200.00	\$184,200.00
Depreciation Expense:	\$0.00	\$10,964.30	\$26,314.32	\$26,314.32	\$26,314.30
Depreciation Start Date:	31-Aug-2003	Service Life:	7.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01575 Purch/Install Electronic Recloser - McCallum					
Original Cost:	\$0.00	\$52,700.00	\$52,700.00	\$52,700.00	\$52,700.00
Depreciation Expense:	\$0.00	\$658.74	\$2,634.96	\$2,634.96	\$2,634.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01576 Purch/Install Protective Relay - Francois					
Original Cost:	\$0.00	\$52,700.00	\$52,700.00	\$52,700.00	\$52,700.00
Depreciation Expense:	\$0.00	\$658.74	\$2,634.96	\$2,634.96	\$2,634.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01577 Purch/Install Protective Relay - Petites					
Original Cost:	\$0.00	\$52,700.00	\$52,700.00	\$52,700.00	\$52,700.00
Depreciation Expense:	\$0.00	\$658.74	\$2,634.96	\$2,634.96	\$2,634.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01579 Purch/Install Electronic Recloser - St. Lewis					
Original Cost:	\$0.00	\$84,200.00	\$84,200.00	\$84,200.00	\$84,200.00
Depreciation Expense:	\$0.00	\$1,052.49	\$4,209.96	\$4,209.96	\$4,209.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01580 Purch/Install Protective Relay - Norman Bay					
Original Cost:	\$0.00	\$52,700.00	\$52,700.00	\$52,700.00	\$52,700.00
Depreciation Expense:	\$0.00	\$658.74	\$2,634.96	\$2,634.96	\$2,634.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01581 Purch/Install Protective Relay - Willaims Harbour					
Original Cost:	\$0.00	\$52,700.00	\$52,700.00	\$52,700.00	\$52,700.00
Depreciation Expense:	\$0.00	\$658.74	\$2,634.96	\$2,634.96	\$2,634.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01582 Upgrade North Plant - Goose Bay					
Original Cost:	\$0.00	\$172,200.00	\$172,200.00	\$172,200.00	\$172,200.00
Depreciation Expense:	\$0.00	\$956.66	\$5,739.96	\$5,739.96	\$5,739.96
Depreciation Start Date:	1-Nov-2003	Service Life:	30.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01583	Increase Fuel Storage - Postville				
Original Cost:	\$0.00	\$77,500.00	\$77,500.00	\$77,500.00	\$77,500.00
Depreciation Expense:	\$0.00	\$1,291.68	\$3,875.04	\$3,875.04	\$3,875.04
Depreciation Start Date:	1-Sep-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01584	Purch/Install Protective Relay - Paradise River				
Original Cost:	\$0.00	\$52,700.00	\$52,700.00	\$52,700.00	\$52,700.00
Depreciation Expense:	\$0.00	\$658.74	\$2,634.96	\$2,634.96	\$2,634.96
Depreciation Start Date:	1-Oct-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01587	Install Nox Emission Monitor - McCallum				
Original Cost:	\$0.00	\$103,300.00	\$103,300.00	\$103,300.00	\$103,300.00
Depreciation Expense:	\$0.00	\$2,152.10	\$5,165.04	\$5,165.04	\$5,165.04
Depreciation Start Date:	1-Aug-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01589	Enterprise Storage Infrastructure - 2003				
Original Cost:	\$0.00	\$1,363,900.00	\$1,363,900.00	\$1,363,900.00	\$1,363,900.00
Depreciation Expense:	\$0.00	\$34,097.49	\$136,389.96	\$136,389.96	\$136,389.96
Depreciation Start Date:	1-Oct-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01592	Automatic Meter reading (AMR) - Pilot Project				
Original Cost:	\$0.00	\$51,900.00	\$51,900.00	\$51,900.00	\$51,900.00
Depreciation Expense:	\$0.00	\$3,027.50	\$5,190.00	\$5,190.00	\$5,190.00
Depreciation Start Date:	1-Jun-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
P01598	Increase Generation - Mary's Harbour				
Original Cost:	\$0.00	\$211,700.00	\$211,700.00	\$211,700.00	\$211,700.00
Depreciation Expense:	\$0.00	\$882.08	\$10,584.96	\$10,584.96	\$10,584.96
Depreciation Start Date:	1-Dec-2003	Service Life:	20.00 years	Sinking Fund Rate%	0.00%
P01603	Replace Vehicles - 2002				
Original Cost:	\$0.00	\$495,509.00	\$495,509.00	\$495,509.00	\$495,509.00
Depreciation Expense:	\$0.00	\$33,033.96	\$49,550.94	\$49,550.94	\$49,550.94
Depreciation Start Date:	1-May-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01609 End User Infrastructure Evergreen Program - 2003					
Original Cost:	\$0.00	\$792,000.00	\$792,000.00	\$792,000.00	\$792,000.00
Depreciation Expense:	\$0.00	\$6,600.00	\$79,200.00	\$79,200.00	\$79,200.00
Depreciation Start Date:	1-Dec-2003	Service Life:	10.00 years	Sinking Fund Rate%	0.00%
<hr/>					
Dep Method 01 Straight Line Depreciation					
Original Cost:	\$0.00	\$33,002,942.47	\$33,002,942.47	\$33,002,942.47	\$33,002,942.47
Depreciation Expense:	\$0.00	\$705,481.67	\$2,809,941.97	\$2,809,942.04	\$2,809,942.27



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Dep Method 06 Sinking Fund Depreciation					
P00585 Install Fault Recorder - Upper Salmon Generating Station					
Original Cost:	\$0.00	\$127,200.00	\$127,200.00	\$127,200.00	\$127,200.00
Depreciation Expense:	\$0.00	\$148.24	\$211.96	\$229.54	\$248.61
Depreciation Start Date:	1-Apr-2003	Service Life:	50.00 years	Sinking Fund Rate%	8.00%
P00594 Replace Draft Tube Stoplogs - Paradise River					
Original Cost:	\$0.00	\$156,100.00	\$156,100.00	\$156,100.00	\$156,100.00
Depreciation Expense:	\$0.00	\$59.43	\$249.95	\$270.70	\$293.16
Depreciation Start Date:	1-Oct-2003	Service Life:	50.00 years	Sinking Fund Rate%	8.00%
P00614 Design and Construct Hydroelectric Plant - Granite Canal					
Original Cost:	\$0.00	\$131,589,510.12	\$131,589,510.12	\$131,589,510.12	\$131,589,510.12
Depreciation Expense:	\$0.00	\$151,764.43	\$243,322.36	\$263,517.98	\$285,389.85
Depreciation Start Date:	1-May-2003	Service Life:	50.00 years	Sinking Fund Rate%	8.00%
P00737 Upgrade Controls Spherical Valves #1 - Bay D'Espoir					
Original Cost:	\$0.00	\$223,100.00	\$223,100.00	\$223,100.00	\$223,100.00
Depreciation Expense:	\$0.00	\$113.64	\$359.63	\$389.45	\$421.79
Depreciation Start Date:	1-Sep-2003	Service Life:	50.00 years	Sinking Fund Rate%	8.00%
P00856 Modifications to TL203 - (Sunnyside - Western Avalon)					
Original Cost:	\$0.00	\$206,800.00	\$206,800.00	\$206,800.00	\$0.00
Depreciation Expense:	\$0.00	\$15,407.34	\$64,794.52	\$70,172.42	\$56,425.72
Depreciation Start Date:	1-Oct-2003	Service Life:	3.00 years	Sinking Fund Rate%	8.00%
P00888 Replace Instrument Transformers/Surge Arrestors - Central					
Original Cost:	\$0.00	\$144,200.00	\$144,200.00	\$144,200.00	\$144,200.00
Depreciation Expense:	\$0.00	\$41.31	\$517.68	\$560.66	\$607.18
Depreciation Start Date:	1-Dec-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P00909 Purchase and Install Breaker Fail Protection Addition					
Original Cost:	\$0.00	\$82,100.00	\$82,100.00	\$82,100.00	\$82,100.00
Depreciation Expense:	\$0.00	\$71.02	\$298.68	\$323.48	\$350.34
Depreciation Start Date:	1-Oct-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P00961	Replace Vibration/Data System - Bay D'Espoir				
Original Cost:	\$0.00	\$153,000.00	\$153,000.00	\$153,000.00	\$153,000.00
Depreciation Expense:	\$0.00	\$77.94	\$246.61	\$267.10	\$289.26
Depreciation Start Date:	1-Sep-2003	Service Life:	50.00 years	Sinking Fund Rate%	8.00%
P00977	Replace Fence - Holyrood				
Original Cost:	\$0.00	\$31,600.00	\$31,600.00	\$31,600.00	\$31,600.00
Depreciation Expense:	\$0.00	\$55.22	\$117.27	\$127.03	\$137.56
Depreciation Start Date:	1-Jul-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01034	Interconnect Co-Generation - Corner Brook Pulp & Paper				
Original Cost:	\$0.00	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00
Depreciation Expense:	\$0.00	(\$100.00)	\$0.00	\$0.00	\$0.00
Depreciation Start Date:	1-Jun-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01035	Interconnect Beeton Unit - Grand Falls				
Original Cost:	\$0.00	\$77,000.00	\$77,000.00	\$77,000.00	\$77,000.00
Depreciation Expense:	\$0.00	(\$100.00)	\$0.00	\$0.00	\$0.00
Depreciation Start Date:	1-Jun-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01392	Replace 125V Battery Bank - DLK, HLY and CBFC				
Original Cost:	\$0.00	\$82,500.00	\$82,500.00	\$82,500.00	\$82,500.00
Depreciation Expense:	\$0.00	\$144.18	\$306.19	\$331.65	\$359.13
Depreciation Start Date:	1-Jul-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01393	Install Motor Drive Mechanisms on Disconnect Switches				
Original Cost:	\$0.00	\$216,800.00	\$216,800.00	\$216,800.00	\$216,800.00
Depreciation Expense:	\$0.00	\$187.55	\$788.75	\$854.20	\$925.10
Depreciation Start Date:	1-Oct-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01397	Replace Insulators TL209 - 230kV STV - BBK				
Original Cost:	\$0.00	\$235,600.00	\$235,600.00	\$235,600.00	\$235,600.00
Depreciation Expense:	\$0.00	\$203.82	\$857.15	\$928.27	\$1,005.32
Depreciation Start Date:	1-Oct-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
P01399 Upgrade Circuit Switcher South Brook Terminal Station					
Original Cost:	\$0.00	\$354,500.00	\$354,500.00	\$354,500.00	\$354,500.00
Depreciation Expense:	\$0.00	\$306.68	\$1,289.70	\$1,396.75	\$1,512.68
Depreciation Start Date:	1-Oct-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01400 Upgrade Breaker Controls - SSD Terminal Station					
Original Cost:	\$0.00	\$33,000.00	\$33,000.00	\$33,000.00	\$33,000.00
Depreciation Expense:	\$0.00	\$97.42	\$125.76	\$136.22	\$147.53
Depreciation Start Date:	1-Mar-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01401 Replace Digital Fault Recorder - Holyrood					
Original Cost:	\$0.00	\$75,900.00	\$75,900.00	\$75,900.00	\$75,900.00
Depreciation Expense:	\$0.00	\$110.17	\$279.84	\$303.04	\$328.19
Depreciation Start Date:	1-Aug-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
P01549 Install Early Warning System - Victoria Dam					
Original Cost:	\$0.00	\$40,100.00	\$40,100.00	\$40,100.00	\$40,100.00
Depreciation Expense:	\$0.00	\$11.41	\$29.02	\$31.42	\$34.02
Depreciation Start Date:	1-Aug-2003	Service Life:	60.00 years	Sinking Fund Rate%	8.00%
P01550 Frazil Ice Monitoring - Granite Canal					
Original Cost:	\$0.00	\$21,200.00	\$21,200.00	\$21,200.00	\$21,200.00
Depreciation Expense:	\$0.00	\$6.04	\$15.35	\$16.62	\$17.95
Depreciation Start Date:	1-Aug-2003	Service Life:	60.00 years	Sinking Fund Rate%	8.00%
P01570 Upgrade Station Service - Long Harbour T.S.					
Original Cost:	\$0.00	\$82,800.00	\$82,800.00	\$82,800.00	\$82,800.00
Depreciation Expense:	\$0.00	\$95.84	\$303.25	\$328.40	\$355.67
Depreciation Start Date:	1-Sep-2003	Service Life:	40.00 years	Sinking Fund Rate%	8.00%
<hr/>					
Dep Method 06	Sinking Fund Depreciation				
Original Cost:	\$0.00	\$133,969,010.12	\$133,969,010.12	\$133,969,010.12	\$133,762,210.12
Depreciation Expense:	\$0.00	\$168,701.68	\$314,113.67	\$340,184.93	\$348,849.06



Newfoundland and Labrador Hydro

2003 InService Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Totals For: Newfoundland and Labrador Hydro					
Original Cost:	\$0.00	\$166,971,952.59	\$166,971,952.59	\$166,971,952.59	\$166,765,152.59
Depreciation Expense:	\$0.00	\$874,183.35	\$3,124,055.64	\$3,150,126.97	\$3,158,791.33

1 Q. For depreciation expense related to the proposed 2003 Capital Budget which
2 is calculated on the sinking fund method, provide a schedule for future years
3 showing the amount of depreciation expense for each project for each of
4 those years until the cost is fully depreciated.

5

6 A. The requested data is only available for the years 2003 through 2006.

7 Please see response to IC-3(a).

- 1 Q. Which of the proposed 2003 capital costs will be depreciated on a straight
- 2 line basis?
- 3
- 4 A. Please see response to IC-3(a).

- 1 Q. For each of the projects depreciated on a straight line basis, provide the
- 2 number of years over which the cost will be depreciated.
- 3
- 4 A. Please see response to IC-3(a).

1 Q. For depreciation expense related to the proposed 2003 Capital Budget which
2 is calculated on the straight line method, provide a schedule for future years
3 showing the amount of depreciation expense for each project for each of
4 those years until the cost is fully depreciated.

5

6 A. The requested data is only available for the years 2003 through 2006.

7 Please see response to IC-3(a).

- 1 Q. For all categories of depreciation expense related to the proposed 2003
2 Capital Budget, provide a schedule for future years showing the total impact
3 on revenue requirement for each year until the cost is fully depreciated.
4
- 5 A. See response to IC-1.

1 Q. Over how many years are vehicles depreciated? If it depends on the type of
2 vehicle, please provide a breakdown by type.

3

4 A. All cars, vans and medium/heavy trucks are depreciated on a straight line
5 basis over a 5-year period. All pick-up trucks are depreciated on a straight
6 line basis over 6 years.

1 Q. How does Hydro propose to finance these capital projects?

2

3 A. Hydro's 2003 capital program will be financed as part of Hydro's overall cash
4 requirements, which takes into account cash flow generated internally
5 (through net income adjusted for non-cash items such as depreciation), as
6 well as external financing in the form of promissory notes and long-term debt.
7 Hydro does not borrow in the long-term debt market to finance any specific
8 activity.

1 Q. (a) What is the projected interest expense in 2004 associated with the
2 proposed 2003 Capital Budget?

3

4 (b) Provide the assumed average interest rate for IC-11 (a).

5

6

7 A. (a) Hydro does not have projected interest expense calculations for 2004
8 and beyond as it is intended that these projections will form part of
9 Hydro's overall 2004 rate application which will be filed with the PUB
10 in 2003. Hydro does not issue debt instruments tied to specific capital
11 projects. Our capital requirements are, in fact, funded by a
12 combination of debt and equity, at a cost equal to our weighted
13 average cost of capital. At the present time, we have not computed
14 what our weighted average cost of capital for the 2004 year will be as
15 these calculations will form part of our next rate application. Hydro's
16 2003 capital program is \$34.3 million (excluding Granite Canal) and
17 using a weighted average cost of capital of 7.157%, as provided to the
18 Board during the 2002 rate application would provide a cost of capital
19 figure on an annualized basis of approximately \$2.5 million. This
20 figure could be used to provide an order of magnitude as to the impact
21 of the 2003 capital program on 2004 requirements in terms of the
22 company's cost of capital.

23

24 (b) See response to question IC-11(a).

- 1 Q. (a) What is the projected interest expense in each of 2005 through 2010
2 associated with the proposed 2003 Capital Budget?
3
- 4 (b) Provide the assumed average interest rate for IC-12(a).
5
6
- 7 A. (a) See response to question IC-11(a).
8
- 9 (b) See response to question IC-11(a).

1 Q. What is the projected interest expense in each of 2005 through 2010
2 associated with the Granite Canal project?

3

4 A. Hydro does not issue debt instruments tied to specific capital projects. Our
5 capital requirements are in fact funded by a combination of debt and equity,
6 at a cost equal to our weighted average cost of capital. Our most recent
7 estimate for total costs associated with the construction of Granite Canal is
8 \$134.5 million. Our most recently submitted weighted average cost of capital
9 is 7.157%. Applying this percentage to the \$134.5 million produces a cost of
10 capital figure on an annualized basis of approximately \$9.6 million. This
11 figure could be used to provide an order of magnitude as to the impact of the
12 Granite Canal Project on 2005 - 2010 requirements in terms of the
13 company's cost of capital.

- 1 Q. Provide Hydro's expected debt/equity ratio at the end of 2003?
- 2
- 3 A. Hydro's forecast debt to capital ratio at the end of 2003 is 86/14.

1 Q. To what extent is the debt/equity ratio affected by the proposed 2003 capital
2 expenditures?

3

4 A. As noted in our response to IC-11(a) through 13, Hydro does not issue debt
5 instruments tied to specific projects as capital is financed through a
6 combination of debt and equity. A change in debt/equity ratio is the result of
7 a broad range of anticipated cash flows that cover many different items, the
8 net of which have been financed through a combination of debt and equity.
9 See response to IC-14 for an estimate of debt/equity ratio at the end of 2003.

- 1 Q. What is the expected total impact on revenue requirement of the proposed
2 2003 Capital Budget for each of the years 2004 - 2010 inclusive?
3
4 A. See response to IC-1.

1 Q. What would the impact be on revenue requirement if 30% of the 2003 capital
2 projects using sinking fund method depreciation were eliminated from the
3 budget?

4

5 A. Over the life of the assets in question, the elimination of 30% of the capital
6 projects would have the effect of reducing the depreciation and return on
7 ratebase elements of revenue requirement by 30%. In the absence of a list
8 of specific projects to be eliminated, we are unable to identify or quantify the
9 other impacts on revenue requirement that may be associated with having to
10 provide electrical service.

- 1 Q. What would the impact be on revenue requirement if 30% of the 2003 capital
2 projects using straight line method depreciation were eliminated from the
3 budget?
4
- 5 A. Please see response to IC-17.

1 Q. Provide a copy of Hydro's Five-Year Capital Budget projections specifically
2 identifying items having a projected cost of greater than \$500,000.00.

3

4 A. The information requested is not relevant or required for an understanding of
5 the issues before the Board in this hearing.

1 Q. What is the total forecast depreciation expense for 2003?

2

3 A. The total forecast depreciation expense for 2003 is \$32,474,260.27.

1 Q. With respect to projects on pages B-5, B-7, B-9, B-13, B-20, B-22, B-35,
 2 B-38, B-42, B-46, B-48, B-50, B-61, B-70, B-91, B-108, B-111, B-113 and
 3 B-115 of the Application, the purposes of which as stated to be increased
 4 reliability, provide the expected improvement in SAIDI and SAIFI indices for
 5 each project.

6

7 A. The following list of capital budget proposals consists of upgrades of
 8 individual pieces of equipment and systems:

9

No.	Description	Location
B-5	Upgrade Controls Spherical Valve No. 1	Bay D'Espoir
B-7	Replace Vibration/Data System	Bay D'Espoir
B-9	Replacement of Draft Tube Stoplogs	Paradise River
B-13	Replace Gate Hoist No. 2	Ebbegunbaeg Control Structure
B-20	Replace Loader/Backhoe	Bay D'Espoir
B-21 (sic)	Replace Turbine Electrohydraulic Control System – Unit No. 1	Holyrood
B42	Purchase and Install 138 kV Breaker Fail Protection	Stoney Brook, Sunnyside and Bottom Brook TS
B46	Upgrade S/S Long Harbour TS	Long Harbour
B-108	Replace UHF Radio Lind	Abitibi – Stephenville
B-111	Replace Voice, Data and Teleprotection Equipment – Upper Salmon Intake	Upper Salmon
B113	Replace Battery System – Multiple Sites	Ebbegunbaeg, North Salmon Dam, Upper Salmon (2) and Springdale
B115	Replace Remote Terminal Unit for Hydro – Phase 4	Buchans, Doyles, Howley and Upper Salmon

1 The statement regarding increased or improved reliability was made in the
 2 context of perceived improvement over the status quo condition or
 3 maintaining acceptable reliability and availability performance of the specific
 4 pieces of equipment. This may or may not affect overall system reliability
 5 which are reflected in SAIDI or SAIFI indices which are delivery point
 6 performance measures applicable to the overall bulk system. There may be
 7 impact on the SAIFI and SAIDI indices as experienced by the end customer
 8 by virtue of under frequency load shedding which is required for an isolated
 9 electrical system to prevent overall collapse. The impact however cannot be
 10 quantified. The proposed projects are warranted to ensure continued reliable
 11 operation of the systems.

12

13 The following capital budget proposals consist of replacements of insulators
 14 and surge arrestors, which are known problems because they fail
 15 prematurely. The proactive replacement of this equipment will prevent the
 16 future adverse impact on reliability. The impact of not replacing this
 17 equipment on SAIFI and SAIDI cannot be quantified.

18

No.	Description	Location
B35	Replace Insulators TL209	Stephenville – Bottom Brook
B50	Replace Surge Arrestors	System Wide
B61	Insulator Replacements	Bottom Waters, Barachoix, Mings Bight

19

20 **B 38 “Upgrade TL 214”**

21 The upgrades identified in this proposal will address all the line outage issues
 22 related to wind, ice and salt contamination. This will prevent the majority of
 23 the faults on the line and will result in improvement in the SAIFI and SAIDI
 24 indices. The performance improvements are more precisely described in

1 Section 8.0 of the report titled “TL 214 Condition Assessment and
2 Recommendations for Upgrading” which was filed with this application.

3
4 **B48 “Install Motor Operators on Disconnects – SSD”**

5 These disconnect switches are used for safety isolation purposes during
6 operation and maintenance activities. The primary justification for installing
7 the motor operators is for personnel safety. There is no direct affect on the
8 SAIFI and SAIDI indices.

9
10 **B70 “Replace Voltage Regulators”**

11 This project is strictly load driven. The replacement of the regulators will
12 prevent any interruption in service caused by failure of the regulators as a
13 result of overloading under peak conditions.

14
15 Although it is not possible to predict the exact impact on SAIFI and SAIDI
16 indices, the failure of the regulators would result in a prolonged outage to
17 customers.

18
19 **B91 “Replace Energy Management System – ECC”**

20 As indicated in the filing, the project is to replace the Energy Management
21 System, which is the overall control system for the generation and
22 transmission facilities of Newfoundland and Labrador Hydro. It provides
23 economic dispatch and other functions necessary for the efficient and reliable
24 day-to-day operation of a power system. The proposed replacement is to
25 ensure continued reliable operation. However, failure to proceed as
26 proposed will result in a deterioration of current performance indices to the
27 end customer in the near future, particularly the duration of outages as
28 illustrated on pages B-94 and B-95 of the filing.

- 1 Q. If Hydro's proposed 2003 Capital Budget is approved, what will the increase
2 be in capital employed per kWh, debt/kWh, and cost/kWh?
3
- 4 A. Please see response to IC-15 with respect to the impact of the 2003 Capital
5 Budget on total capital and debt. See response to IC-1 with respect to the
6 impact of the 2003 Capital Budget on costs.